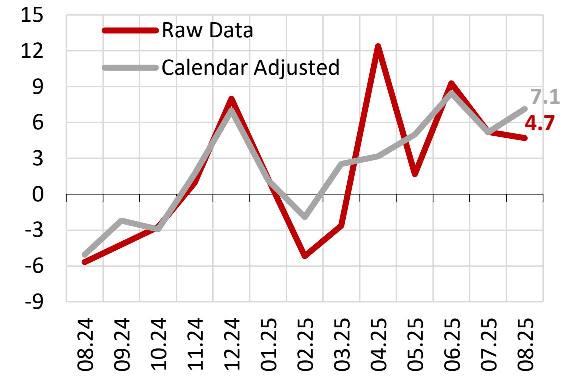
Macro: The increase in production does not signal a recovery in the main trend

The Industrial Production Index (IPI) increased by 0.4% mom in August in seasonally and calendar adjusted terms (s.a.), while growing by 4.7% yoy. Thus, annual growth in the July-August period was 5.0% (adjusted for calendar effects: 6.1%), while a flat qoq trend was recorded.

The monthly increase and the high annual growth in the IPI are not widespread. Accordingly, we do not interpret them as a positive signal for the underlying trend. The strong trend in defense (other transportation vehicles, computer-optical devices) and construction-related sectors (fabricated metal, basic metal, mineral products), driven by strategic choices and earthquake expenditures, masks the overall weak performance in the IPI. For example, excluding capital goods, which account for 78% of IPI, the IPI increased by 1.6% yoy in the Q3 so far and contracted by 1.0% qoq. The pace of contraction accelerated compared to the second quarter. The weakening in sectors most affected by the loss of competitiveness, such as clothing and textiles, and the food sector, plays an important role in the weakness in the main trend.

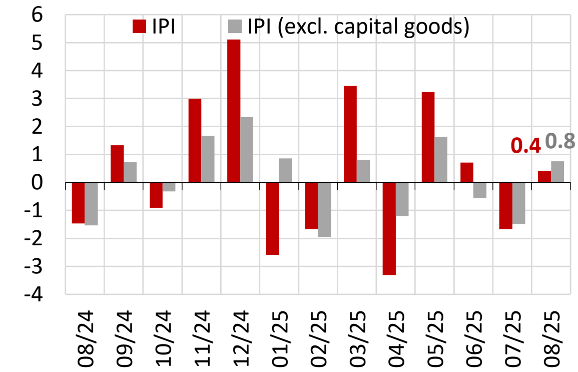
In August, Industrial Production Index (IPI) increased by 0.4% mom in seasonally and calendar adjusted (s.a.) terms and 4.7% yoy (Charts 1 and 2). Furthermore, the number of working days was one day lower than last year, limiting annual production growth. Indeed, calendar-adjusted annual production growth, which excludes this effect, was higher at 7.1%. On a quarterly basis, the IPI (s.a.) followed a flat trend in the third quarter, supported by capital goods. While the IPI (s.a.) excluding capital goods has been contracting for two quarters, the contraction got stronger compared to the second quarter (Charts 3 and 4).

Chart 1. IPI (yoy, %)



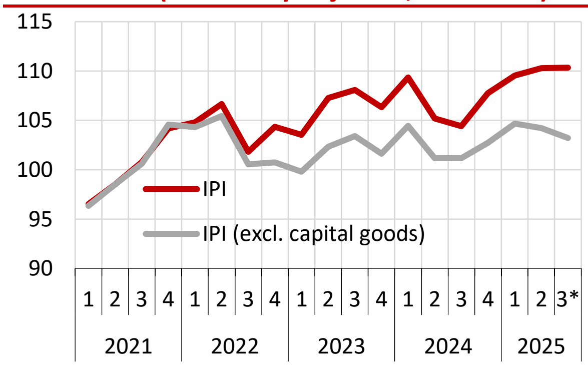
Source: Turkstat

Chart 2. IPI (seasonally adjusted, mom, %)



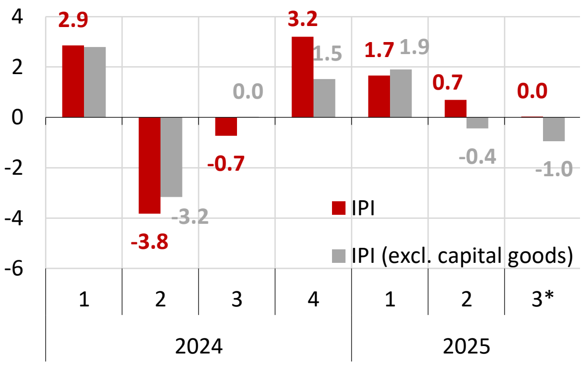
Source: Turkstat, Akbank

Chart 3. IPI (seasonally adjusted, 2021=100)



* July-August average
Source: Turkstat, Akbank

Chart 4. IPI (seasonally adjusted, qoq, %)



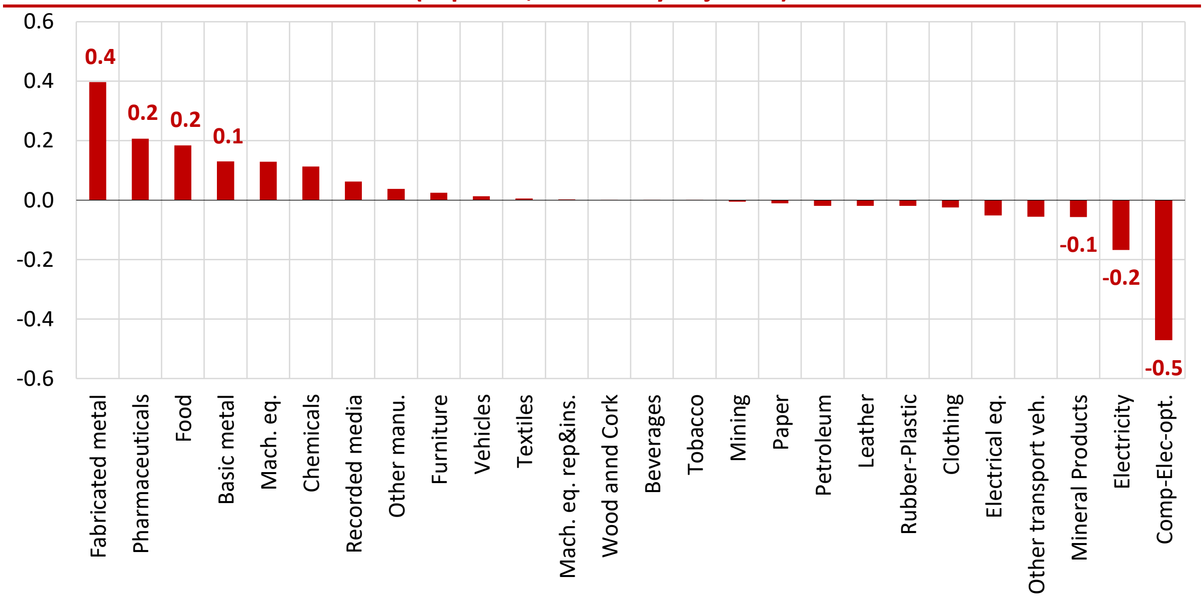
* July-August average
Source: Turkstat, Akbank

Following a significant decline in July, IPI (s.a.) recorded a limited increase in August (Chart 2). The slight increase was driven by corrections in some consumer goods sectors and the relatively positive trend in intermediate goods sectors related to the construction and defense industries (Table 2).

Production in the **fabricated metal** sector (s.a.), which encompasses a wide range of products such as metal construction materials, containers, weapons, ammunition, cutlery, and hardware, increased by 5.6% mom in August, contributing the most to total IPI growth by 0.4 percentage points (Chart 5). The 35% cumulative production increase in the weapons and ammunition sub-category over the last two months is noteworthy. Production in the manufacturing of **basic pharmaceutical products**, a sector with high monthly volatility, increased by 13.4% in August after contracting by 7.1% in the previous month, making it the second-largest contributor to the monthly IPI increase with 0.2 points. Although the recent downward trend in the **food sector** paused in August with a 1.5% monthly production increase, the quarterly contraction of 2.0% was stronger than the contraction in the second-quarter (1.5%). **Basic metals** and **machinery and equipment**, among the top five sectors contributing the largest monthly contribution to the IPI, gained significant momentum in the third quarter, with production increasing by 2.5% and 3.3%, respectively.

Meanwhile, production in the **other transportation vehicles** and **computer, electronic, and optical equipment manufacturing sectors**, dominated by defense industry manufacturers and generally moving together, declined by 1.1% and 19.9% mom, respectively, bringing IPI monthly growth down by a total of 0.53 points (Chart 5). **Other non-metallic mineral products**, including cement and ready-mix concrete (-0.9%), **electrical equipment** (-1.2%), and **clothing** (-0.6%) were the three other sectors that most constrained IPI production.

Chart 5. Contributions to the Monthly Change in IPI in August (% points, seasonally adjusted)



Source: Turkstat, Akbank

Across goods groups, nondurable consumer goods production (s.a.) increased by 1.9% mom, driven by increased production in the food and pharmaceutical sectors, while intermediate goods grew by 0.9%, supported by the chemicals, base metals, and fabricated metals sectors (Charts 6 and 7). Capital goods and durable consumer goods production, on the other hand, contracted by 0.7% and 0.9%, respectively (Charts 8 and 10).

Chart 6. Intermediate and Consumption Goods (seasonally adjusted, 2021=100)

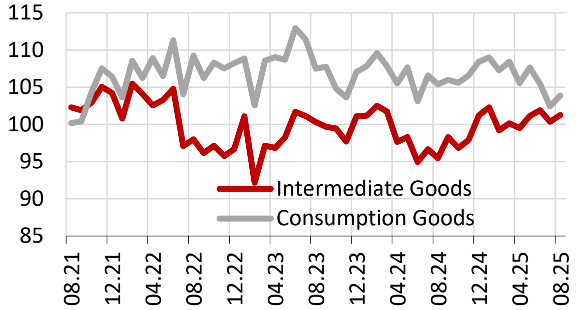


Chart 7. Consumption Goods (seasonally adjusted, 2021=100)

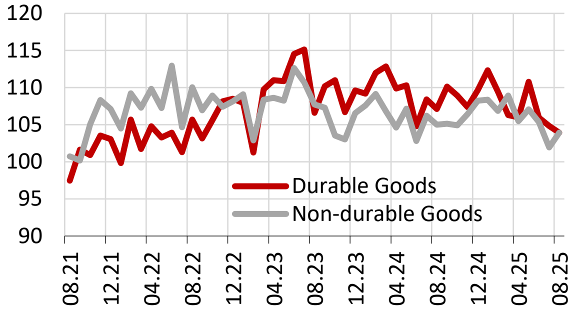
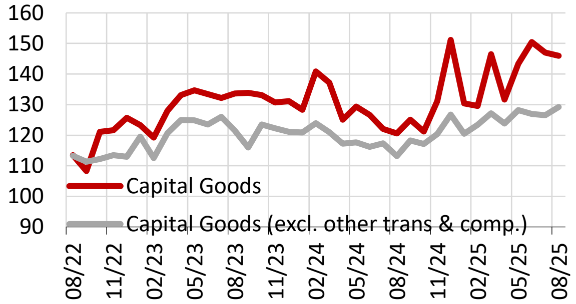
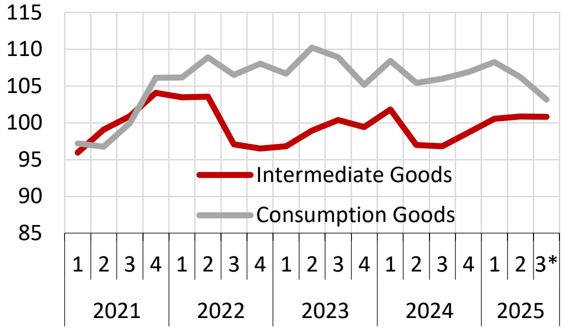


Chart 8. Capital Goods (seasonally adjusted, 2021=100)



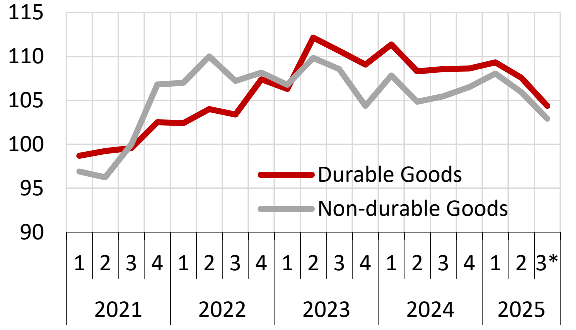
Source: Turkstat, Akbank

Chart 9. Intermediate and Consumption Goods (seasonally adjusted, 2021=100)



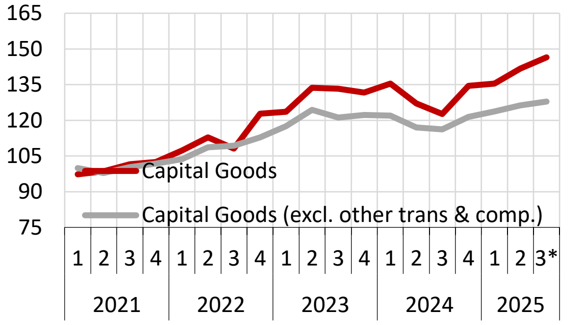
* July-August average
Source: Turkstat, Akbank

Chart 10. Consumption Goods (seasonally adjusted, 2021=100)



* July-August average
Source: Turkstat

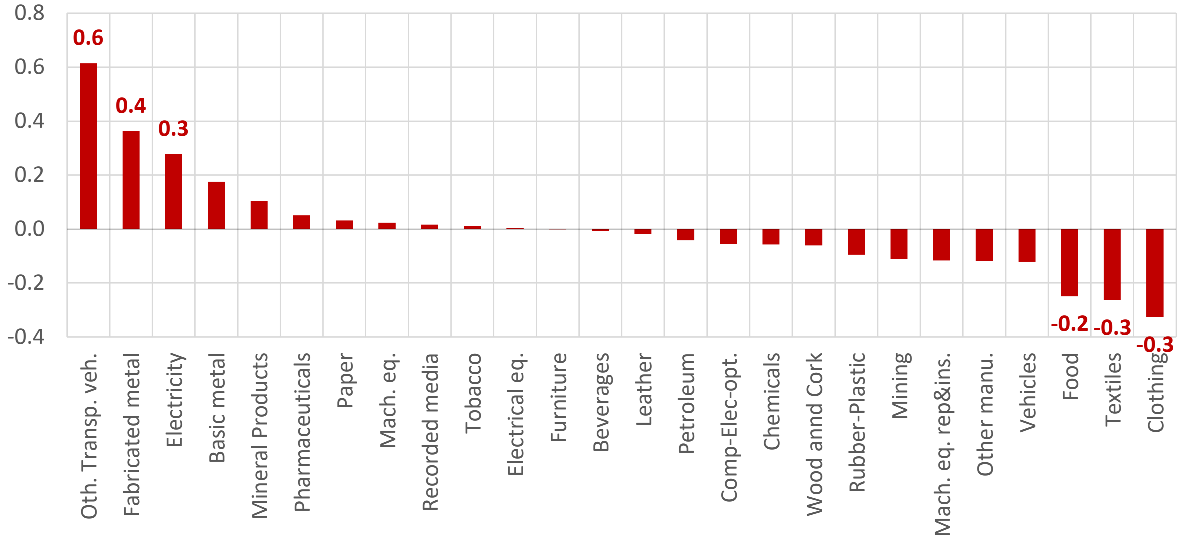
Chart 11. Capital Goods (seasonally adjusted, 2021=100)



* July-August average
Source: Turkstat, Akbank

While the IPI (S.a.) remained flat in the third quarter, the divergence between sectors became more pronounced. Capital goods, led by other transportation vehicles related to the defense industry, contributed 0.8 points to the quarterly change of the IPI in the third quarter. Labor-intensive sectors (apparel, textiles), which were most affected by the loss of competitiveness among sectors other than capital goods, diverged negatively (Chart 12). Intermediate goods sectors related to construction and the defense industry, such as fabricated metals, basic metals, and other non-metallic mineral products, are also among the other sectors contributing to the IPI. Higher-than-normal seasonal temperatures also contributed to electricity generation's leading position.

Chart 12. Contributions to the Quarterly Change of IPI in 2025Q3 (% points, seasonally adjusted)*



*July-August average
Source: Turkstat, Akbank

Table 1. Industrial Production Index (Annual % Change)

	May.25	Jun.25	Jul.25	Aug.25	2024-Q4	2025-Q1	2025-Q2	2025-Q3*	First 8 months
IPI	**1.7**	**9.3**	**5.2**	**4.7**	**2.2**	**-2.2**	**7.4**	**5.0**	**3.1**
Mining and quarrying	**5.8**	**3.6**	**1.1**	**1.8**	**-4.2**	**-2.1**	**5.6**	**1.5**	**1.6**
Mining of coal and lignite	8.7	-14.9	-27.6	-16.6	1.8	-0.6	-2.4	-22.4	-7.3
Extraction of crude petrol. and n. gas	30.4	25.3	21.0	14.9	68.9	42.8	32.3	17.9	31.8
Mining of metal ores	-7.5	0.9	0.2	2.0	-22.0	-8.6	-2.5	1.0	-3.9
Other mining and quarrying	7.5	13.0	12.7	4.8	-8.1	-8.5	10.0	8.7	3.0
Manufacturing	**1.2**	**10.6**	**5.6**	**4.9**	**1.8**	**-2.7**	**7.7**	**5.3**	**3.0**
Food products	3.3	15.1	5.9	7.1	-1.9	0.1	10.9	6.5	5.5
Beverages	2.9	2.4	5.2	2.8	6.2	-3.8	5.6	4.0	2.2
Tobacco products	15.2	9.9	12.5	11.1	3.3	-7.2	14.7	11.8	5.8
Textiles	-7.7	-0.7	-7.4	-9.2	3.4	-4.9	-1.1	-8.2	-4.4
Wearing apparel	-11.9	-12.6	-17.5	-20.3	10.5	-0.4	-6.7	-18.9	-7.8
Leather and related products	-7.8	-0.6	-6.4	-6.0	-4.6	-2.3	-2.6	-6.2	-3.4
Wood and cork products	4.2	31.2	11.3	5.7	-1.5	-1.1	18.1	8.5	8.0
Paper and paper products	-1.6	12.4	3.9	8.3	3.0	-3.3	6.7	6.1	2.7
Recorded media	-10.2	2.3	-11.7	0.6	-7.7	-5.6	-2.4	-5.2	-4.3
Coke and refined petroleum prod.	12.8	4.5	4.8	9.3	-10.2	4.4	9.4	7.0	6.9
Chemicals and chemical prod.	-2.0	7.0	0.8	3.4	1.5	-3.8	3.8	2.0	0.4
Basic pharmaceutical products	-5.0	24.6	4.6	17.7	-8.7	-12.9	8.7	11.3	-0.1
Rubber and plastic products	-2.7	10.8	1.7	-0.6	-3.1	-8.4	5.4	0.6	-1.3
Other non-metallic mineral prod.	7.7	10.0	13.0	9.1	-2.2	-5.2	10.6	11.1	4.9
Base metals	0.7	7.0	5.7	6.7	3.7	-0.1	6.1	6.2	3.8
Fabricated metal products	11.4	15.5	14.5	16.3	12.3	4.3	15.3	15.4	11.2
Comp., electronic and optical prod.	27.6	51.6	51.3	8.8	-1.3	4.6	27.8	29.4	19.2
Electrical equipment	-4.5	3.7	-0.2	2.2	-1.9	-3.3	4.4	0.9	0.6
Machinery and equipment	-8.9	-3.4	-5.6	-4.8	-7.5	-8.8	-3.0	-5.2	-5.8
Motor vehicles	-0.2	11.0	7.1	14.0	-10.6	-12.3	8.6	9.9	0.0
Other transport equipment	5.6	51.7	59.1	53.8	29.5	-5.8	23.0	56.6	19.1
Furniture	-0.9	7.0	2.9	1.8	4.0	-4.3	5.5	2.4	1.0
Other manufacturing	0.5	-1.7	-6.4	-11.7	-3.1	-2.4	4.6	-9.1	-1.6
Repair& instl. of mach. and eq.	14.1	24.5	6.8	8.6	9.1	9.0	17.3	7.7	11.7
Electricity, gas, steam	**4.7**	**-1.1**	**5.8**	**6.1**	**10.0**	**5.0**	**4.9**	**5.9**	**5.3**
IPI	**1.7**	**9.3**	**5.2**	**4.7**	**2.2**	**-2.2**	**7.4**	**5.0**	**3.1**
Intermediate Goods	-0.2	8.5	4.2	3.7	-0.7	-4.6	6.1	4.0	1.5
Durable Consumer Goods	-4.4	-1.1	-5.1	-8.2	-0.2	-3.5	-0.2	-6.7	-3.1
Non-durable Consumer Goods	-2.3	6.9	-2.1	-0.4	0.2	-2.2	5.0	-1.3	0.6
Energy	8.3	0.5	3.7	5.6	7.6	6.4	6.9	4.6	6.1
Capital Goods	8.2	21.5	20.2	17.8	5.9	-1.4	14.9	19.1	9.5
Low Technology	-2.6	5.5	-2.0	-2.0	1.9	-2.1	4.3	-2.0	0.2
Medium-Low Technology	4.5	9.9	6.0	5.8	0.6	-1.8	8.8	5.9	4.1
Medium-High Technology	-1.6	3.4	7.0	15.2	-1.5	-4.0	4.8	10.7	2.8
High Technology	21.3	96.9	59.0	7.7	16.1	-6.9	40.0	31.0	17.2

*July-August average
Source: Turkstat

Table 2. Industrial Production Index (Seasonally and Calendar Adjusted)

	Monthly % Change				Quarterly % Change			
	May.25	Jun.25	July.25	Aug.25	2024-Q4	2025-Q1	2025-Q2	2025-Q3*
IPI	**3.2**	**0.7**	**-1.7**	**0.4**	**3.2**	**1.7**	**0.7**	**0.0**
Mining and quarrying	**5.1**	**-5.1**	**-0.5**	**-0.1**	**-3.3**	**6.2**	**1.4**	**-2.4**
Mining of coal and lignite	20.2	-19.6	-12.2	5.6	-6.9	2.9	2.2	-17.4
Extraction of crude petrol. and n. gas	0.7	1.0	0.6	-0.9	5.6	4.1	6.2	1.1
Mining of metal ores	-3.6	-0.5	6.3	-6.3	-7.0	8.2	-0.2	1.4
Other mining and quarrying	7.1	-3.1	-1.1	3.1	-1.2	8.5	0.8	0.6
Manufacturing	**3.4**	**0.9**	**-2.2**	**0.7**	**3.7**	**1.4**	**0.7**	**-0.2**
Food products	-1.0	0.0	-2.4	1.5	1.3	4.5	-1.5	-2.0
Beverages	-4.7	-0.5	0.5	0.0	8.1	0.1	1.0	-1.4
Tobacco products	12.8	-5.4	2.7	0.0	1.9	-2.0	12.3	2.9
Textiles	1.7	0.5	-5.1	0.1	2.4	-2.0	-3.4	-4.2
Wearing apparel	4.1	-6.5	-4.5	-0.6	0.1	-3.3	-8.3	-7.8
Leather and related products	11.6	-9.4	2.1	-2.4	0.5	0.7	-3.9	-2.2
Wood and cork products	-2.7	7.3	-8.3	0.1	7.6	7.1	-1.0	-4.7
Paper and paper products	-2.0	1.3	1.3	-0.4	3.0	0.7	1.7	1.3
Recorded media	4.5	-2.0	-2.2	9.1	-10.4	5.3	-1.3	2.3
Coke and refined petroleum prod.	-3.7	-2.4	1.7	-0.7	3.7	12.4	2.0	-1.6
Chemicals and chemical products	1.3	-0.7	-2.7	2.8	2.7	0.8	-0.2	-1.4
Basic pharmaceutical products	-0.2	6.5	-7.1	13.4	1.2	-2.5	8.5	3.2
Rubber and plastic products	3.0	2.3	-4.6	-0.5	1.4	2.0	0.4	-2.4
Other non-metallic mineral products	7.0	-3.0	1.9	-0.9	2.2	5.3	2.0	1.6
Base metals	-0.7	1.3	1.6	2.5	3.3	2.1	-1.6	3.5
Fabricated metal products	7.0	-0.1	0.2	5.6	7.4	0.4	1.3	5.2
Computer. electronic and optical prod.	29.2	7.2	-4.2	-19.9	2.1	19.6	1.2	-2.5
Electrical equipment	0.6	-1.2	1.3	-1.2	-0.8	1.9	1.7	0.1
Machinery and equipment	1.4	-1.8	-0.3	3.3	2.0	-2.7	-3.3	0.6
Motor vehicles	1.0	-0.7	-1.8	0.2	0.9	2.8	7.0	-1.9
Other transport equipment	24.4	28.3	-7.7	-1.1	37.0	-11.3	18.3	14.5
Furniture	3.8	-1.5	-0.8	1.0	3.3	1.4	-0.9	0.0
Other manufacturing	3.4	-5.4	-4.2	2.0	0.1	0.1	-2.2	-5.8
Repair and installation of mach. and equip.	4.4	4.3	-7.5	0.1	4.2	4.0	3.5	-3.5
Electricity, gas, steam	**-0.2**	**1.8**	**4.5**	**-2.5**	**2.1**	**1.1**	**-0.4**	**4.4**
IPI	**3.2**	**0.7**	**-1.7**	**0.4**	**3.2**	**1.7**	**0.7**	**0.0**
Intermediate Goods	1.6	0.8	-1.5	0.9	1.9	1.9	0.3	0.0
Durable Consumer Goods	4.5	-4.3	-1.1	-0.9	0.1	0.6	-1.6	-3.0
Non-durable Consumer Goods	1.5	-1.6	-3.2	1.9	1.0	1.4	-1.9	-2.9
Energy	0.5	-1.2	2.3	-1.4	1.8	3.8	0.7	0.9
Capital Goods	8.9	4.9	-2.3	-0.7	9.7	0.7	4.7	3.3
Low Technology	1.1	-1.3	-2.8	0.6	1.7	1.1	-2.4	-3.0
Medium-Low Technology	2.5	0.1	-1.6	1.2	3.0	3.1	1.0	-0.1
Medium-High Technology	3.5	-3.4	3.6	4.4	3.4	0.9	3.2	4.6
High Technology	26.3	38.2	-19.0	-16.3	21.7	-1.5	9.3	-2.8

* July-August average
Source: Turkstat

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